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IN THE

Supreme Court of the United States

VICTOR MOSELEY, CATHY MOSELEY, DBA
VICTOR'S LITTLE SECRET

Petitioners,

v.

V SECRET CATALOGUE, INC., ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF FOR RINGLING BROS.-BARNUM & BAILEY COMBINED SHOWS, INC., AMERICAN AUTOMOBILE ASSOCIATION, BACARDI & COMPANY LIMITED, BANK OF AMERICA, BENETTON GROUP, S.p.A., DEERE & COMPANY, NEWSWEEK, INC., PFIZER INC., PUBLIC BROADCASTING SERVICE, AND SOTHEBY'S HOLDINGS, INC. AS AMICI CURIAE SUPPORTING RESPONDENTS

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QUESTION PRESENTED

Whether the owner of a famous trademark is precluded from obtaining injunctive relief under the Federal Trademark Dilution Act (FTDA) unless it can prove that the defendant's use of an identical or very similar mark has already caused actual economic harm to the owner of the famous mark.

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INTEREST OF THE *AMICI CURIAE*

The *amici curiae* are owners of famous trademarks protected under the Federal Trademark Dilution Act of 1995 (FTDA), Pub. L. No. 104-98, 109 Stat. 985.[1] The *amici* thus have a strong interest in the scope of protection afforded by the FTDA. *Amicus* Ringling Bros.-Barnum & Bailey Combined Shows, Inc. brought an action to protect its famous mark, "THE GREATEST SHOW ON EARTH," that resulted in the Fourth Circuit's decision in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999). Petitioners in this case urge the Court to adopt the Fourth Circuit's interpretation of the FTDA in *Ringling Bros.*, under which owners of famous marks cannot obtain any injunctive relief unless they can prove that the defendant's use of a mark has caused "actual economic harm to the famous mark's economic value." 170 F.3d at 461. *See* Pet. i (question presented is whether plaintiff must show "actual injury to the economic value of the famous mark").

In its decision below, the Sixth Circuit explicitly rejected the Fourth Circuit's interpretation. *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 472-76 (6th Cir. 2001) *cert. granted*, 122 S. Ct. 1536 (2002). Respondents and the United States urge this Court likewise to reject the standard adopted by the Fourth Circuit. The core issue before the Court, therefore, and the issue on which it granted review, is whether, as the Fourth Circuit held in *Ringling*

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[1] Pursuant to Supreme Court Rule 37.3(a), the *amici* have obtained from all parties their written consent to the filing of this brief. Pursuant to Supreme Court Rule 37.6, counsel for the *amici* certifies that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than the *amici*, its members, or its counsel has made a monetary contribution to the preparation or submission of this brief.

Bros., the FTDA requires proof of actual injury to the economic value of a famous mark as a precondition to injunctive relief.

The *amici curiae* submit that the answer is "no." The Fourth Circuit's interpretation of the FTDA is inconsistent with the statutory language, the legislative history, and basic principles of trademark law.

STATEMENT

Congress enacted the FTDA to provide additional protection to "famous" trademarks, over and above the protection against infringement already provided by the Lanham Act. In a case brought by *amicus curiae* Ringling Bros.-Barnum & Bailey Combined Shows, Inc., the Fourth Circuit adopted a "concededly stringent" interpretation of the statutory definition of trademark dilution that, in the Fourth Circuit's own words, "surely does not leap fully and immediately from the statutory text." 170 F. 3d at 453, 458. The Fourth Circuit's interpretation, which Petitioners urge this Court to adopt, effectively nullifies the FTDA by requiring owners of famous marks to prove "actual economic harm" to the famous mark as a precondition for obtaining injunctive relief under the FTDA.

The Fourth Circuit's interpretation is contrary to the language and purpose of the FTDA, which was intended to prevent the "whittling away" of the distinctiveness of famous marks, a process that gradually destroys the value of a famous mark but typically does not cause immediate, provable economic injury. In addition, the Fourth Circuit's interpretation conflicts with the principle that actual economic harm is not an element of a trademark violation under the Lanham Act, as well as the equitable principle that injunctive relief is designed to prevent harm before it occurs.

Trademark Protection Under the Lanham Act. The Trademark Act of 1946, commonly known as the

Lanham Act, "was intended to make 'actionable the deceptive and misleading use of marks' and 'to protect persons engaged in . . . commerce against unfair competition.'" *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767-68 (1992) (*quoting* Lanham Act § 45, 15 U.S.C. § 1127). The Lanham Act defines a "trademark" as "'any word, name, symbol, or device, or any combination thereof' used by any person 'to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods.'" *Id.* at 768 (*quoting* Lanham Act § 45, 15 U.S.C. § 1127).[2] The remedies available under the Lanham Act include injunctive relief, damages, and an accounting of the infringer's profits. Lanham Act § 35(a), 15 U.S.C. 1117(a).

To show trademark infringement in violation of the Lanham Act, a trademark owner must prove that unauthorized use of its mark, or a similar mark, is likely to cause consumer confusion or mistake, or to deceive consumers as to the source or sponsorship of the goods. *See Two Pesos*, 505 U.S. at 769 (trademark infringement "requires proof of the likelihood of confusion"); *see also* Lanham Act § 45, 15 U.S.C. § 1127 (same). Indeed, likelihood of confusion is "the touchstone of trademark infringement as well as unfair competition." 3 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 23:1 (4th ed. 1999).

Protection From Trademark Dilution Under State Law. The requirement that a plaintiff prove likelihood of confusion frequently limited trademark protection under the

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[2] The Lanham Act also protects "service mark[s]," which are defined as including "any word name, symbol, or device, or any combination thereof . . . used . . . to identify and distinguish . . . services." Lanham Act § 45, 15 U.S.C. § 1127. In this brief, the term "marks" refers to both trademarks and service marks.

Lanham Act to cases involving directly competing or related products or services. It was recognized, however, that owners of famous marks confront situations in which producers of different products or services use their famous marks or very similar marks. While these uses do not necessarily cause confusion as to the source of the products or services, they reduce the distinctiveness of the famous marks by virtue of the fact that they are no longer exclusive. "Accordingly, it was urged that legal protection was appropriate to protect against the 'gradual whittling away or dispersion of the identity and hold upon the public mind of the mark by its use upon non-competing goods.'" *Restatement (Third) of Unfair Competition* § 25 cmt. b (1995), (*quoting* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825 (1927)).

In response to this problem, the States (beginning with Massachusetts in 1947) began to enact laws designed to provide the owners of famous trademarks with protection against loss of distinctiveness in the absence of the likelihood of confusion required to establish infringement. These "anti-dilution" statutes were intended to give the owners of famous marks the right to enjoin the use by others of their marks (or similar marks) without regard to similarity of products or services or the need to prove likelihood of confusion. *See Restatement (Third) of Unfair Competition* § 25 cmt b.

In 1977, the New York Court of Appeals issued an influential decision recognizing the need for protection against the "cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trade-mark or name." *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1165 (N.Y. 1977); *see also Restatement (Third) of Unfair Competition* § 25 cmt. b (1995). By 1996, slightly more than half the States recognized a cause of action for trademark dilution.

State law recognizes dilution when consumers "make a mental connection between the plaintiff's mark and the designation used by the defendant"; the "harm at issue is a blurring of the mental associations evoked by the mark." *Restatement (Third) of Unfair Competition* § 25 cmt f. Accordingly, judicial decisions applying state dilution statutes have not required the plaintiff to prove actual economic harm. *See, e.g., Polaroid Corp. v. Polaraid, Inc.*, 319 F.2d 830, 836 (7th Cir. 1963) ("The gravamen of a dilution complaint is that the continuous use of a mark similar to plaintiff's works an inexorably adverse effect upon the distinctiveness of the plaintiff's mark.") (internal quotation and citation omitted); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 484 (7th Cir. 1988) (The "underlying premise of the anti-dilution doctrine" is that dilution is "unlike the immediate, and often measurable, injury caused by confusion.").

The Federal Trademark Dilution Act. Because only about half the States had enacted trademark dilution laws, Congress considered enactment of a federal dilution statute to afford uniform protection on a national basis to owners of famous marks. Several years of deliberation culminated in enactment of the FTDA, which amended the Lanham Act to provide that

> [t]he owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.

Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1). Congress defined "dilution" as

the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of –

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception.

Lanham Act § 45, 15 U.S.C. § 1127.

Protection against trademark dilution under the FTDA applies only to "famous" marks.[3] The remedy for dilution is limited to an injunction "unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." Lanham Act § 43(c)(2), 15 U.S.C. § 1125(c)(2). In that event, the plaintiff may receive "the remedies set forth in sections 35(a) and 36" of the Lanham Act, 15 U.S.C. §§ 1117(a), 1118, which include damages and an accounting of the defendant's profits, "subject to the discretion of the court and the principles of equity." *Id.*

Congress enacted the FTDA based on its determination that "[a] federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection, in that only approximately 25 states have laws that prohibit trademark dilution." H.R. Rep. No. 104-374, at 3 (1995). The legislative report that accompanied the FTDA shows that Congress's definition of "dilution" drew on the existing body of case law applying state dilution statutes.

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[3] The Act includes a non-exhaustive list of eight factors that a court may consider in determining whether a mark is famous. *See* Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1).

First, the Report states that federal protection against trademark dilution "applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." *Id.* The Report quotes directly from a decision applying state dilution law to explain the difference between dilution and infringement:

> Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

Id. (*quoting Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

Second, the Report provides examples of trademark dilution drawn from the legislative history of the New York dilution statute: "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." *Id.* at 3.[4] *Third*, the Report states that the definition of dilution in the FTDA "is designed to encompass all forms of dilution recognized by the courts" applying state law. *Id.* at 8. *Fourth*, the Report states that "it is to be expected that a federal dilution statute should . . . coexist with state dilution law." *Id.* at 4.

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[4] *See also Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 625 (2d Cir. 1983) (discussing New York law).

SUMMARY OF ARGUMENT

The Sixth Circuit correctly rejected the Fourth Circuit's interpretation of the FTDA, which precludes owners of famous marks from obtaining injunctive relief unless they can show actual economic harm to the value of the famous mark. The Fourth Circuit acknowledged that its interpretation does not "leap . . . immediately from the statutory text." 170 F.3d at 453. The statutory text does not refer to "actual economic harm" or "economic value." Instead, the words Congress chose to define "dilution" are taken from the statutory definition of a "trademark," which must have the capacity "to identify and distinguish" goods or services. The statutory language clearly indicates that dilution turns on consumer perceptions of uniqueness, not on whether the owner of the famous mark can prove actual economic harm.

It is true that Congress chose to provide a remedy when the defendant "causes dilution," rather than when there is a "likelihood of dilution." But Congress defined "dilution" as "a lessening of the *capacity* of a famous mark to identify and distinguish goods and services," thus indicating that actual, consummated economic harm is not an element of dilution. Requiring plaintiffs to make a showing of actual economic harm is also contrary to the legislative history, which clearly recognizes that dilution generally does not lead to an immediate injury, and indicated an intent to draw on an existing body of judicial decisions interpreting dilution under state law.

Requiring proof of actual economic harm conflicts with a basic principle of trademark law (and, indeed, of intellectual property law generally) that the owner need not show economic harm in order to prevail. This is illustrated by so-called "reverse confusions" cases, in which the first user of a mark is entitled to prevail even though it may

benefit economically from the second user's extensive promotion of the mark.

The FTDA expressly provides that plaintiffs are entitled to injunctive relief "subject to the principles of equity." 15 U.S.C. § 1125(c)(1). Requiring proof of actual economic harm conflicts with a basic principle of equity, that "an injunction may issue to prevent future wrong, although no right has yet been violated." *Swift & Co. v. United States*, 276 U.S. 311, 315 (1928).

Requiring owners of famous marks to show actual economic harm effectively nullifies the statute, because it is exceedingly difficult to prove that trademark dilution has caused actual economic harm, particularly in the early stages of a third party's dilutive use. Ironically, the FTDA as interpreted by the Fourth Circuit may actually provide *less* protection for famous trademarks than an ordinary claim for infringement.

The Sixth Circuit correctly held that Respondent was not required to show actual economic harm in order to prevail on its claim for trademark dilution. The Sixth Circuit reasonably concluded that this case presents a classic instance of dilution by "tarnishing" the famous mark as well as by "blurring" its distinctiveness.

ARGUMENT

A. Limiting Relief Under The FTDA To Cases In Which The Owner Of A Famous Mark Can Show Actual Economic Harm Is Contrary To The Language And Purpose Of The FTDA.

Requiring owners of famous trademarks to prove "actual economic harm" to the "economic value" or "selling power" of the famous mark as a precondition for injunctive relief under the FTDA, 170 F.3d at 461, is contrary to both the language and purpose of the Act. The Sixth Circuit

correctly held that the FTDA imposes no such requirement, and the Fourth Circuit erred in ruling to the contrary.

Congress defined dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." Lanham Act § 45, 15 U.S.C. § 1127. The Fourth Circuit acknowledged that its interpretation "surely does not leap fully and immediately from the statutory text." 170 F.3d at 453. In fact, it bears *no* relation to the statutory text, which does not contain the terms "actual economic harm," "economic value," or "selling power."

The Fourth Circuit's departure from the statutory language is particularly startling because the words Congress chose to define "dilution" are not new to trademark law. They appear prominently in the statutory definition of "trademark" itself. The defining characteristic of a trademark under the Lanham Act is its ability "*to identify and distinguish . . . goods*." Lanham Act § 45, 15 U.S.C. § 1127 (emphasis added).[5] As this Court has explained, a mark must be "capable of distinguishing the applicant's goods from those of others." *Two Pesos*, 505 U.S. at 768 (*citing* 15 U.S.C. § 1052); *see also Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 162-63 (1995) (same). By defining dilution as a "lessening of the capacity of a famous mark to identify and distinguish goods or services," Congress linked the definition of trademark dilution to the definition of a trademark and authorized a judicial remedy if the defendant's mark causes a lessening of the capacity of a famous mark to identify and distinguish the goods or services for which the mark is famous.

Established trademark law recognizes many gradations of distinctiveness above the minimal level

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[5] *See also id.* ("service mark" must possess ability "*to identify and distinguish . . . services*.") (emphasis added).

necessary to qualify for registration as a trademark. At one end of the spectrum are famous marks, which have achieved a very high degree of distinctiveness.[6] It is precisely these famous marks that Congress recognized as meriting additional protection under the FTDA. At the other end of the spectrum, "a mark that is hemmed in on all sides by similar marks on similar goods cannot be very 'distinctive.' It is merely one of a crowd of marks. In such a crowd, customers will not likely be confused between any two of the crowd and may have learned to carefully pick out one from the other." 2 McCarthy, *supra*, § 11:85. Thus, the statutory language chosen by Congress to define dilution has a clear meaning: Dilution turns on consumer perceptions of uniqueness, not on whether the owner of the famous mark is able to prove actual economic harm. *Cf. San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522, 539 (1987) (recognizing, in a non-FTDA context, that "unauthorized uses, even if not confusing, nevertheless may [cause] harm . . . by lessening the distinctiveness and thus the commercial value of the marks.") (citation omitted).

In rejecting this straightforward interpretation of the statutory text, the Fourth Circuit relied principally on an argument that the FTDA provides a remedy for "dilution" rather than "for the mere 'likelihood of dilution' proscribed by the state statutes." 170 F.3d at 458. There are at least three flaws in the Fourth Circuit's reasoning. *First*, the fact

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[6] *See* Lanham Act § 43(c)(1)(A), 15 U.S.C. § 1125(c)(1)(A) (in determining whether a mark is famous for purposes of the FTDA, courts may consider the mark's "degree of inherent or acquired distinctiveness"); *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) ("A mark that is strong because of its fame or its uniqueness, is more likely to be remembered and more likely to be associated in the public mind with a greater breadth of products or services, than is a mark that is weak because relatively unknown or very like similar marks.")

that Congress chose to provide a remedy for "dilution" rather than for the "likelihood of dilution" says nothing about the meaning of "dilution" itself. *Second*, Congress defined dilution as "a lessening of the *capacity* of a famous mark to identify and distinguish goods and services," thus indicating that actual, consummated economic harm is not an element of dilution. *See id.* at 461 n.6 (acknowledging that "[p]erhaps the leading treatise in the general field says flatly that '[t]he [federal Act] does not require proof of an actual lessening of the strength of the famous mark; only that there is a lessening of the capacity or the ability of the mark to be strong as a commercial symbol and identifier'") (*citing* 3 McCarthy, *supra*, § 24:94). *Third*, the Fourth Circuit was simply incorrect in assuming that state dilution laws uniformly include the "likelihood of dilution" language.[7] In fact, the dilution laws of at least 14 states – more than half of those that have dilution statutes – do *not* contain such language.[8]

Petitioners correctly note that relief is available under the FTDA when the defendant "causes" dilution. Pet. Br. 22-

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[7] The Fourth Circuit regarded this language as "the most significant feature of [state] antidilution statutes," Pet. App. 18a, and failed to acknowledge anywhere in its opinion that not all state statutes contain such language.

[8] Of these 14 state statutes, 13 contain language that is virtually identical to that of the FTDA. *See* Ariz. Rev. Stat. § 44-1448.01 (1998); Conn. Gen. Stat. § 35-11i (1999); Idaho Code § 48-513 (Michie 1998); 765 Ill. Comp. Stat. 1036/65 (West 1998); Iowa Code § 548.113 (1998); Minn. Stat. § 333.285 (1998); Miss. Code Ann. § 75-25-25 (1998); N.J. Stat. Ann. § 56:3-13.20 (West 1998); N.M. Stat. Ann. § 57-3B-15 (Michie 1998); S.C. Code Ann. § 39-15-1165 (Law. Co-op. 1998); Wash. Rev. Code § 19.77.160 (2002); W.Va. Code § 47-2-13 (1998); Wyo. Stat. Ann. § 40-1-115 (Michie 1998). The other state statute is Alaska Stat. § 45.50.180 (Michie 1998) ("A registrant that owns a mark that is famous in the state is entitled to an injunction against another's dilution of the mark.").

28 (*quoting* 15 U.S.C. § 1125(c)(1)). But the causation requirement does not alter the plain meaning of "dilution," which is defined in the statute as a "lessening of the *capacity* of a famous mark to identify and distinguish goods or services." (Emphasis added). In particular, it does not suggest, let alone require, that proof of actual economic injury, as opposed to simple loss of distinctiveness, is an element of dilution.

Relying on the Fourth Circuit's decision in *Ringling Bros.*, Petitioners equate Congress's definition of dilution with "actual harm to a mark's selling power." Pet. Br. 34-35. Congress did not use the term "selling power" in the FTDA and thus the statute itself provides no support for defining dilution in this way. But even assuming that it did, there is no basis for concluding that an injury to "selling power" presupposes an actual economic injury. Although some courts have referred to dilution as injury to a mark's "selling power," these cases have not required proof that the economic value of the mark has been diminished.[9]

The Fourth Circuit's requirement that the owner of a famous mark must show actual economic injury to qualify for relief under the FTDA is flatly inconsistent with the legislative understanding that dilution does not "lead[ ] to immediate injury," but instead "is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374, at 3 (1995) (*quoting Mortellito*, 335 F. Supp. at 1296). The Fourth Circuit's standard renders owners of famous marks powerless to stop the infection before it spreads. *See also* 3 McCarthy, *supra*, § 24:94 ("The theory of dilution by blurring is that if one small user can blur the sharp focus of the famous mark to

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[9] *See, e.g., I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998); *Sally Gee*, 699 F.2d at 624-25.

uniquely signify one source, then another and another small user can and will do so. Like being stung by a hundred bees, significant injury is caused by the cumulative effect, not by just one.").

The Fourth Circuit also departed from congressional intent by drawing a sharp distinction between dilution under the FTDA and dilution under state law. In enacting the FTDA, Congress drew directly on the existing body of judicial decisions interpreting state dilution law, and did not intend federal dilution law to be narrower than state dilution law. *See supra* pp. 6-7.

Of equal significance, the FTDA bars plaintiffs from obtaining relief under state dilution laws if the defendant's mark is federally registered. Lanham Act § 43(c)(3), 15 U.S.C. § 1125(c)(3). Under the Fourth Circuit's interpretation of dilution, this preemption provision would actually *reduce* the protection afforded to famous trademarks in certain cases. Once the junior user acquires a federal registration, the protection formerly available under state dilution law would no longer be available either under state law (which would be preempted) or under the FTDA (which under the Fourth Circuit's view is "confine[d]. . . to a more narrow scope than that generally accorded . . . to state-law dilution claims," 170 F.3d at 458-59). Congress enacted the FTDA to provide famous marks with national protection of the same type that is provided by statutes enacted by many, but not all, of the States. Congress gave no indication that it intended the FTDA to cut back on the protection available to owners of famous marks. Yet the FTDA's preemption provision will have precisely that effect under the Fourth Circuit's interpretation espoused by petitioners.[10]

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[10] Petitioner's brief ignores the legislative history of the FTDA but contends that the legislative history of the Trademark Amendments Act (...continued)

While the FTDA specifically addressed certain issues on which state law varied or was unclear (*e.g.*, whether dilution laws apply to non-famous marks and to situations in which there is competition between the plaintiff and the defendant), there is no ambiguity on the point at issue in this case. *No* state requires proof of actual economic harm as an element of dilution. And the language of the FTDA and its legislative history leave no doubt that a showing of actual economic injury is *not* an element of dilution under the FTDA. The Sixth Circuit was clearly correct in rejecting the Fourth Circuit's conclusion to the contrary.

B. The Standard Advanced By Petitioners Conflicts With A Basic Principle Of Trademark Law.

The Fourth Circuit's interpretation advanced by petitioners here – that proof of actual economic harm is an element of trademark dilution under the FTDA – conflicts with the fundamental principle that a trademark owner is not required to prove actual economic harm in order to prove a violation of its trademark rights. It is well established that a plaintiff asserting a trademark infringement or unfair competition claim under the Lanham Act is not required to prove any actual economic harm in order to prevail. As the First Circuit stated in *Societe Des Produits Nestle, S.A. v.*

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of 1999 ("TAA"), Pub. L. No. 106-43, 113 Stat. 218 (1999), enacted four years later in 1999, shows that Congress approved the Fourth Circuit's interpretation of the FTDA. Pet. Br. 28. This argument is without merit not only because the legislative history of the TAA provides no support for this conclusion but also because the legislative history of a subsequently enacted statute does not provide a reliable basis for interpreting earlier legislation. *Mackey v. Lanier Collection Agency & Serv., Inc.*, 486 U.S. 825, 839 (1980); *United States v. Price*, 361 U.S. 304, 313 (1960).

Casa Helvetia, Inc., 982 F.2d 633, 640 (1st Cir. 1992), "the Lanham Act contains no such proof-of-injury requirement."

One of the remedies for trademark infringement and unfair competition (as well as for trademark dilution when the defendant acts with "willful intent") is an accounting of the defendant's profits. *See* 15 U.S.C. § 1117(a). The accounting remedy has been justified on grounds of deterrence and avoiding unjust enrichment, as well as on the ground that the difficulty of proving damages even in a trademark infringement case justifies a presumption that the defendant's profits were derived entirely from sales that would have been made by the plaintiff but for the defendant's infringement. *See Restatement (Third) of Unfair Competition* § 37 cmt b; 5 McCarthy, *supra*, § 30:59.[11]

So-called "reverse confusion" cases provide a striking illustration of the principle that proof of a trademark violation does not require proof of actual economic harm. "Reverse confusion" occurs when a second user of a mark promotes it to such an extent that it overwhelms the first (usually smaller) user, so that consumers come to associate the mark with the second user. *Restatement (Third) of Unfair Competition* § 20. "Reverse confusion does not ordinarily threaten a direct diversion of trade from the trademark owner; indeed, the owner's sales may benefit to some extent from the infringer's promotion of the mark." *Id.* cmt. f. Nevertheless, the prior user need not show economic harm in

[11] Owners of copyrights and patents, like trademark owners, are not required to prove actual economic harm as a precondition for relief. A plaintiff may prevail under the Copyright Act "regardless of the adequacy of the evidence offered as to his actual damages . . . and even if he intentionally declined to offer such evidence, although it was available." 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyrights* § 14.04[a] (1999) (footnotes omitted). Similarly, a patent owner need not prove that it has been damaged in order to prevail under the Patent Act. *See* 7 Donald S. Chisum, *Chisum on Patents* § 20.03[3][i] (1993).

order to prevail in a reverse confusion case, and prior users have recovered substantial monetary awards without proving that they suffered any lost sales. *See, e.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219 (D. Colo. 1976), *aff'd and award modified*, 561 F.2d 1365 (10th Cir. 1977). The Fourth Circuit departed from this principle by holding that trademark dilution, unlike other trademark claims under the Lanham Act, requires the plaintiff to prove that it has suffered actual economic harm.

There is also no principled basis upon which the Fourth Circuit could decline to extend its "actual, economic harm" standard to all claims under the FTDA. The FTDA draws no distinction between third party use of a mark identical to the famous mark and use of a very similar mark. Thus, under the Fourth Circuit's interpretation relied upon by Petitioners, a plaintiff seeking an injunction to halt an "identical replication" of a famous mark, 170 F.3d at 459 n.5, such as DUPONT shoes and KODAK pianos, would be required to show actual economic harm. This result is plainly contrary to the congressional understanding that such uses are "actionable." H.R. Rep. No. 104-374, at 3. Similarly, the FTDA draws no distinction between different types of dilution, and therefore the Fourth Circuit's rigid proof requirement applies not only to dilution by "blurring" but also to dilution by "tarnishing," *e.g.*, use of a famous mark in connection with a pornographic Web site.

C. The Interpretation Advanced By Petitioners Conflicts With A Basic Principle Governing Injunctive Relief.

As noted above (p. 5), Congress provided that the primary remedy for trademark dilution is an injunction. The Fourth Circuit's requirement espoused by Petitioners that the plaintiff show "actual, consummated dilutive harm," 170 F.3d at 464, conflicts with the fundamental principle that an injunction is designed to prevent harm before it occurs.

It is firmly established that "an injunction may issue to prevent future wrong, although no right has yet been violated." *Swift & Co.*, 276 U.S. at 315. "The sole function of an action for injunction is to forestall future violations," and therefore injunctions are wholly "unrelated to punishment or reparations for [injuries] past." *United States v. Oregon State Med. Soc'y*, 343 U.S. 326, 333 (1952). *See generally Black's Law Dictionary* 784 (6th ed. 1990) (injunction "is a preventive and protective remedy, aimed at future acts, and is not intended to address past wrongs").

The FTDA expressly provides that owners of famous marks "shall be entitled" to injunctive relief "subject to the principles of equity." Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1). The Fourth Circuit ignored this statutory language and departed from a basic principle of equity by holding that preventing future harm is not a sufficient basis for injunctive relief under the FTDA. Instead, the Fourth Circuit requires proof of "actual harm to the senior mark's selling or advertising power[s]." 170 F.3d at 463. The decision on which Petitioners rely thus withholds a form of relief that is generally available under "principles of equity" to prevent harm, and instead denies all relief until after the owner of a famous mark can prove that the harm has already occurred.[12]

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[12] In its amicus brief at 14-16, the United States contends that the Trademark Amendments Act (TAA) of 1999, *supra*, n. 10, shows that the FTDA does not authorize injunctive relief "for prospective dilution alone" but only "where some dilution has already occurred." *Id.* The United States mistakenly draws this conclusion from the fact that the TAA authorizes the United States Patent & Trademark Office (PTO) to refuse to register, and to cancel the registration of, any mark "which when used would cause dilution", arguing that, in contrast to the "causes dilution" language of the FTDA, the "which when used" language of the TAA shows that "Congress intended to channel claims of prospective dilution to PTO, and to limit judicial relief to cases where some dilution has already occurred." *Id.* at 15-16. This argument is untenable. The (...continued)

D. Interpreting The FTDA To Require A Showing Of Actual Economic Injury Renders The Statute A Virtual Nullity.

The Fourth Circuit's interpretation of "dilution" is so narrow that it effectively interprets the FTDA out of existence. In the view of Professor McCarthy, the Fourth Circuit's approach "deals a 'real body blow' to the [FTDA] and makes it very difficult to prove a case."[13]

Proving actual economic harm is quite difficult in the context of trademark infringement; in the context of trademark dilution it is impossible, or nearly so. As the Seventh Circuit has explained, "the very nature of dilution, insidiously gnawing away at the value of a mark, makes the injury 'remarkably difficult to convert into damages.' . . . The lack of confusion . . . establish[es] the unquantifiable . . . nature of the injury. Without a likelihood of confusion, there is no effective way to measure the loss of audience or potential growth." *Celozzi-Ettelson*, 855 F.2d at 484 (internal citation omitted).

One of the decisions applying the Fourth Circuit's standard provides an apt illustration of its practical effect. The district court held that the plaintiff was not entitled to relief under the FTDA because it could not supply "the hard

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PTO deals *only* with whether a mark should be *registered*, not with whether a mark actually infringes or dilutes someone else's mark. The mere *registration* of a mark, in itself, cannot possibly infringe or dilute someone else's mark; it is only the *use* of a mark that may cause infringement or dilution. Congress' use of the "which when used" language in the TAA thus merely reflects Congress' recognition of this obvious fact and does not in any way suggest the conclusion reached in the United States' brief.

[13] *Fourth Circuit Requires Proof of Actual Harm to Trademarks' Value to Sustain Dilution Claim*, Intell. Prop. Lawcast (Vox Juris Inc.), Apr. 12, 1999, at 3.

proof of actual economic harm that *Ringling Brothers* demands." *World Gym Licensing, Ltd. v. Fitness World, Inc.*, 47 F. Supp. 2d 614, 625 (D. Md. 1999). Ironically, the court held that the plaintiff *had* submitted adequate proof of trademark infringement. Thus, the interpretation of the FTDA that Petitioners urge this Court to adopt actually provides *less* protection for famous marks than an ordinary claim for infringement, a result diametrically opposite to Congress's objective.

E. The Sixth Circuit's Holding Is Based On A Proper Application Of The FTDA.

For the reasons set out above, the Sixth Circuit correctly rejected the holding of the Fourth Circuit, on which Petitioners rely, that injunctive relief is precluded under the FTDA unless the owner of a famous mark can prove that the defendant's mark has already caused actual economic harm to the famous mark's "selling power." The Sixth Circuit properly focused instead on whether Petitioners' mark had caused dilution of the famous "Victoria's Secret" mark within the meaning of the statute's definition of dilution, *i.e.*, whether Petitioners' mark caused "the lessening of the capacity of [the] famous mark to identify and distinguish goods or services . . . ." 15 U.S.C. § 1127. *See V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 476 (6th Cir. 2001) ("the right to be protected is in a mark's distinctiveness"). The answer to that question may be determined by whether consumers who have been exposed to Petitioners' mark would associate Respondents' "Victoria's Secret" mark not only with the kinds of products and chain of stores for which that mark is famous but also with the kinds of products and store that bear Petitioners' "Victor's Little Secret" mark. As stated by the United States in its amicus brief at 22:

> If consumers who are not aware of the junior mark identify only products made by the owner of the famous mark, while consumers who are aware of the junior mark identify products made by both the owner of the famous mark *and* products made by the owner of the junior mark, an inference of dilution may be warranted.

The United States suggests that a survey could have been used to prove dilution.[14] Of course, survey evidence is not the only way to show that consumers who are familiar with Petitioners' mark would associate Respondent's famous mark not only with Respondents' products and stores but also with Petitioners' products and store. As the Second Circuit pointed out in *Nabisco, Inc. v. P.F. Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), and as most courts have recognized, analysis of relevant contextual factors may also provide an appropriate basis for such a finding.

The Sixth Circuit expressly adopted this approach, noting that "the Second Circuit has developed a list of ten factors used to determine if dilution has, in fact, occurred . . . ." 259 F.3d at 476. Applying the *Nabisco* factors it deemed particularly relevant to the facts of this case, the Sixth Circuit properly found that use of Petitioners' mark

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[14] Contrary to the Fourth Circuit's decision in *Ringling Bros.*, the results of plaintiff's survey in that case warranted an inference of dilution under this standard. The Ringling survey was administered to consumers in Utah, where the defendant's mark had been used, and also outside Utah, where it had not been used. Respondents were asked with what word or words they would fill in the blank in the statement THE GREATEST _____ ON EARTH and with whom or what they associated the completed statement. The results showed that *outside* Utah 41% filled in only the word SHOW and associated the completed statement only with the Circus, and fewer than 0.5% also filled in the word SNOW and also associated the completed statement with Utah, but *inside* Utah 21% filled in both the word SHOW and the word SNOW and associated the completed statements with the Circus and with Utah. 170 F.3d at 462.

presented "a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the [Victoria's Secret] chain with a single, unauthorized establishment)."

CONCLUSION

The Sixth Circuit's decision should be affirmed.

Respectfully submitted,

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